

Message Text

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PAGE 01 TEL AV 01112 150750Z
ACTION NEA-10

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CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
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E.O. 11652: N/A
TAGS: ELAB, ECON, IS
SUBJECT: WAGE/PRICE PACKAGE

1. SUMMARY:GOVERNMENT AND HISTADRUT AGREED FEBRUARY 14 ON A FOUR-MONTH "FREEZE" OF WAGES, PRICES, TAXES,AND DIVIDENDS. GOVERNMENT WILL ASK FOR KNESSET LEGISLATION IMPLEMENTING THE PACKAGE, BUT PASSAGE IS UNCERTAIN. INITIAL EMPLOYER REACTION IS LARGELY NEGATIVE AND IMPLEMENTATION OF THE FREEZE EVEN IF PASSED MAY PROVE DIFFICULT. END SUMMARY.

2. GOVERNMENT AND HISTADRUT REPRESENTATIVES AGREED FEBRUARY 14 ON A WAGE/PRICE PACKAGE TO LAST UNTIL END OF JUNE. MAIN ELEMENTS ARE AS FOLLOWS: (1) PRICES OF ALL GOODS AND SERVICES WILL BE FROZEN,WITH THE EXCEPTION OF SEASONAL FRUITS AND VEGETABLES. (W) WAGES WILL BE FROZEN (EXCEPTING NORMAL C-O-L CAISES), ALTHOUGH NEGOTIATIONS ON PENDING AGREEMENTS WILL CONTINUE WITH ANY RAISES TAKING PLACE AFTER JUNE 30. (3) DIVIDENDS ARE KEPT AT 1976 LEVELS. (4) TAXES, INCLUDING LOCAL RATES, WILL NOT BE INCREASED DURING THE FOUR AND ONE-HALF MONTH FREEZE.

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3. IT IS NOT YET CLEAR HOW THE MEASURE WILL BE IMPLEMENTED. THE GOVERNMENT HAS POWER UNDER EMERGENCY DEFENSE REGULATIONS TO REGULATE PRICES, BUT WILL INTRODUCE EMERGENCY LEGISLATION INTO THE KNESSET TO CONFIRM THE ENTIRE PACKAGE. THE TIMING, HOWEVER, OF THEPACKAGE HAS NOT YET BEEN ANNOUNCED. SUBMISSION TO THE KNESSET MIGHT BE PUT OFF UNTIL AFTER THE LABOR PARTY CONVENTION ON

FEBRUARY 22-23. WHENEVER IT IS SUBMITTED TO THE KNESSET, THE GOVERNMENT WILL HAVE DIFFICULTIES IN GAINING A MAJORITY IN THE FACE OF EMPLOYER OPPOSITION. IF LEGISLATION IS NOT FORTHCOMING, PRICE REGULATION UNDER EMERGENCY DEFENSE REGULATIONS CAN BE PROCLAIMED BY DECREE, BUT ENFORCEMENT OF A WAGE AND PRICE FREEZE WITHOUT LEGISLATION WILL REQUIRE A LOT OF JAWBONING TO SUCCEED.

4. INITIAL EMPLOYER REACTION TO THE GOVERNMENT-HISTADRUT AGREEMENT IS LARGELY NEGATIVE, RANGING FROM TERMING IT USELESS TO SAYING THAT EMPLOYERS WILL HAVE TO BEAR ALL COSTS ASSOCIATED WITH THE FREEZE. THE FREEZE ON DIVIDEND RASIES OVER THE PERIOD IS SEEN BY INDUSTRY AS A DEVICE DEMONSTRATING GOVERNMENT DETERMINATION THAT CAPITAL PAY ITS PART IN SLOWING INFLATION, EVEN THROUGH A DIVIDEND FREEZE FOR FOUR MONTHS WILL HAVE LITTLE EFFECT ON INFLATION. EMPLOYERS HAVE ALSO EXPRESSED DOUBT THAT WORKERS WILL SUDDENLY BECOME MORE REASONABLE IN THEIR DEMANDS SIMPLY BECAUSE THE HISTADRUT HAS SIGNED A PIECE OF PAPER. BEFORE BECOMING TOO ENTHUSIASTIC, THEY WANT TO BE SHOWN HOW THE GOVERNMENT CAN ENFORCE NEW LAWS WHEN IT HAS NOT MANAGED TO ENFORCE EXISTING LEGISLATION GOVERNING BACK-TO-WORK ORDERS, AND TO SEE HOW THE THREATENED PUBLIC SECTOR STRIKES LATER THIS WEEK ARE SETTLED.

5. COMMENT: THERE IS HOPE THAT THE CURRENT EFFORT WILL HAVE A MODERATING INFLUENCE ON WAGE DEMANDS UNTIL THE ELECTIONS ARE OVER. THIS MAY BE TOO MUCH TO HOPE
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FOR IN THE CURRENT PRE-ELECTION ATMOSPHERE, WHEN ALL ELEMENTS IN THE STRUGGLE ARE MANEUVERING FOR ADVANTAGE AND ONE SIDE DOESN'T WANT TO PERMIT THE OTHER TO LOOK GOOD.
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Sent Date: 14-Feb-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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